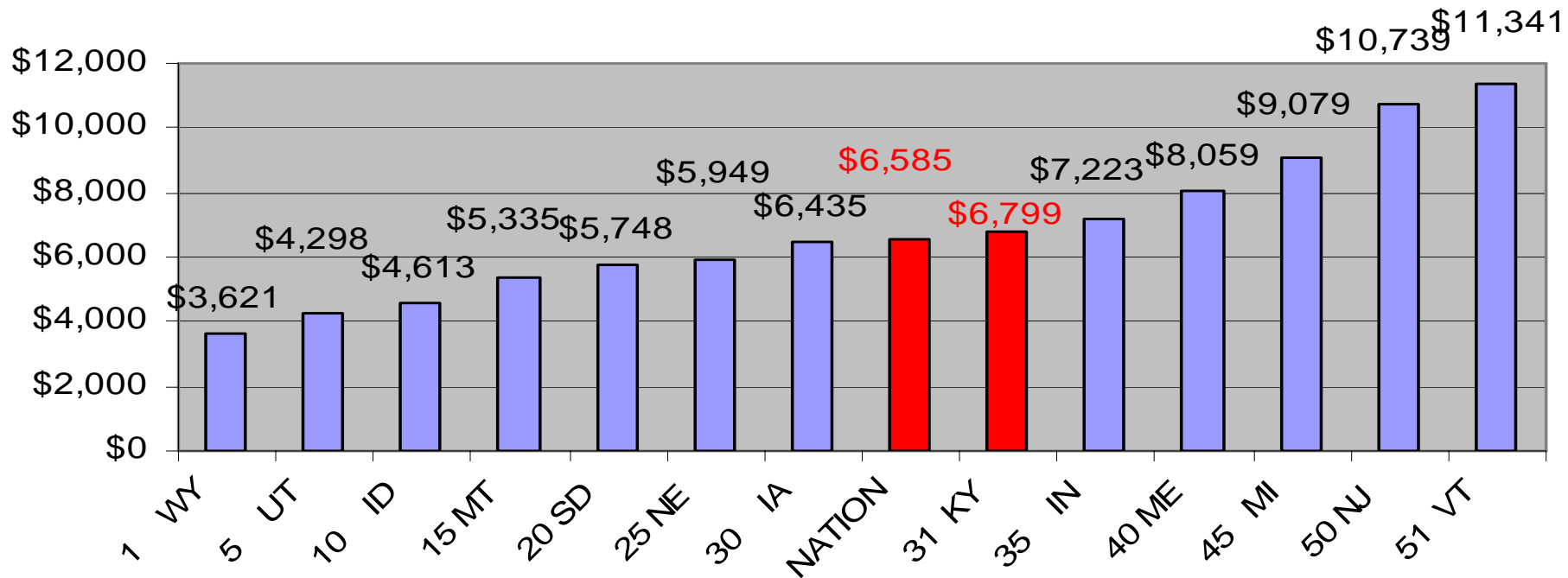

College Prices and Student Aid: Kentucky in National Context

Dr. Sandy Baum

Skidmore College and the College Board

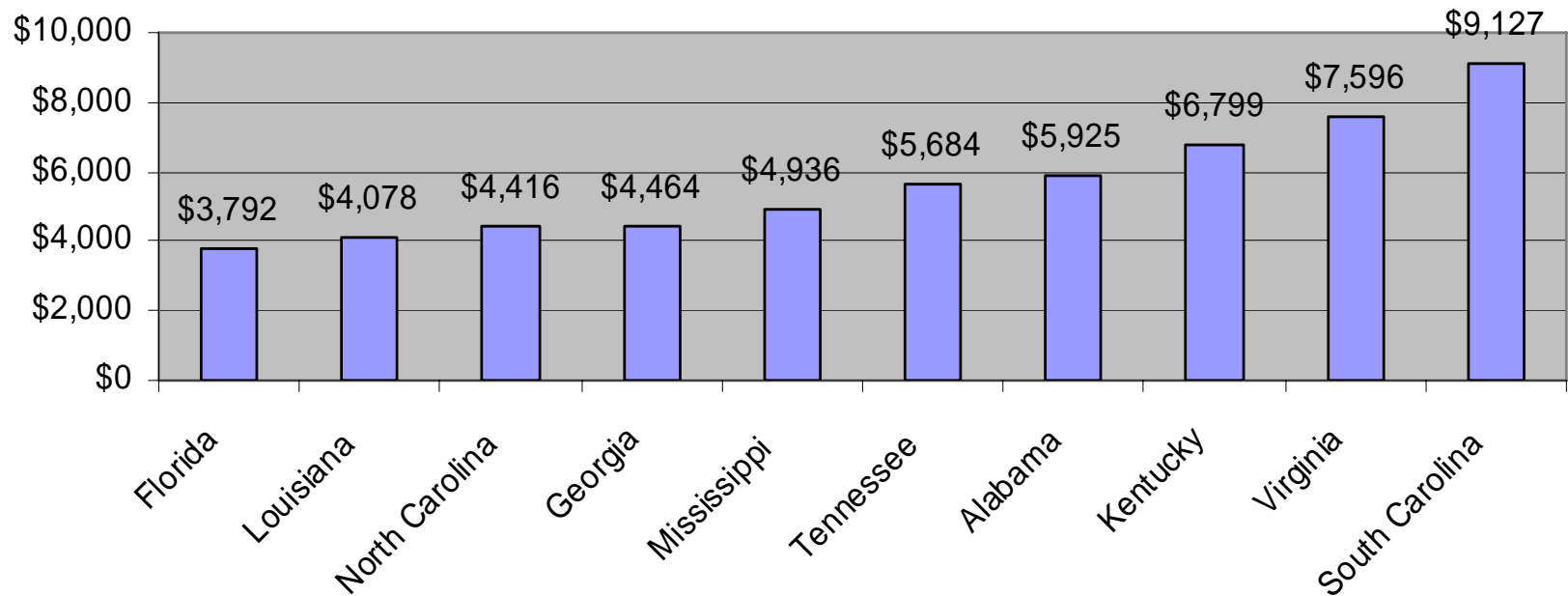
December 2008

Published Tuition and Fees: Four-Year Public Colleges and Universities 2008-09



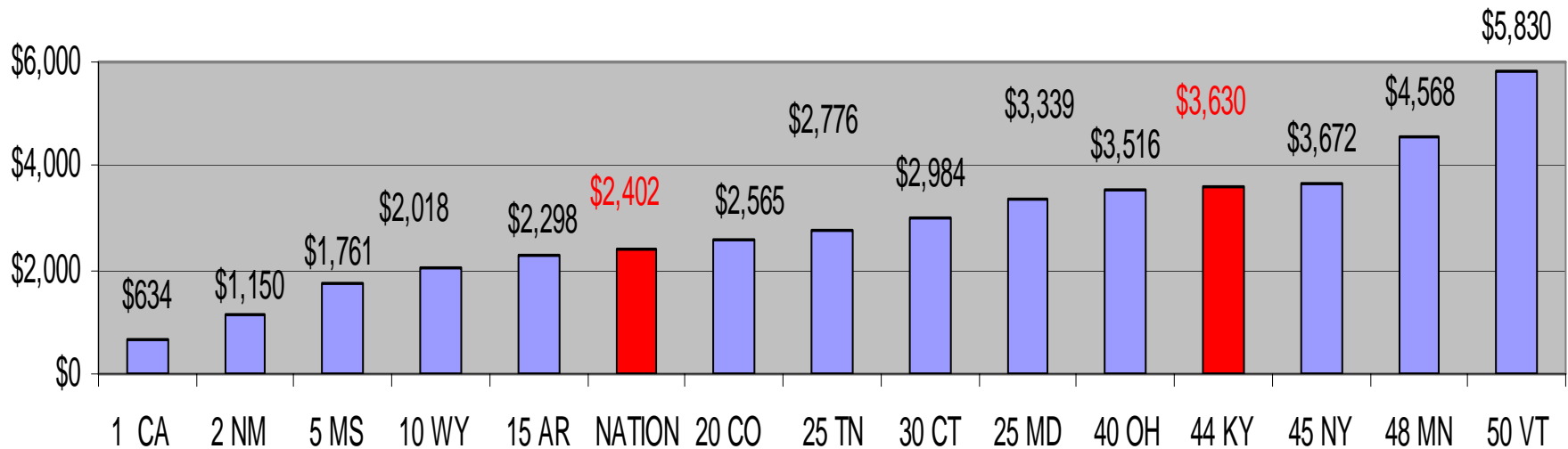
Source: The College Board, *Trends in College Pricing 2008*

Southern States: Published Tuition and Fees at Public Four-Year Colleges and Universities 2008-09



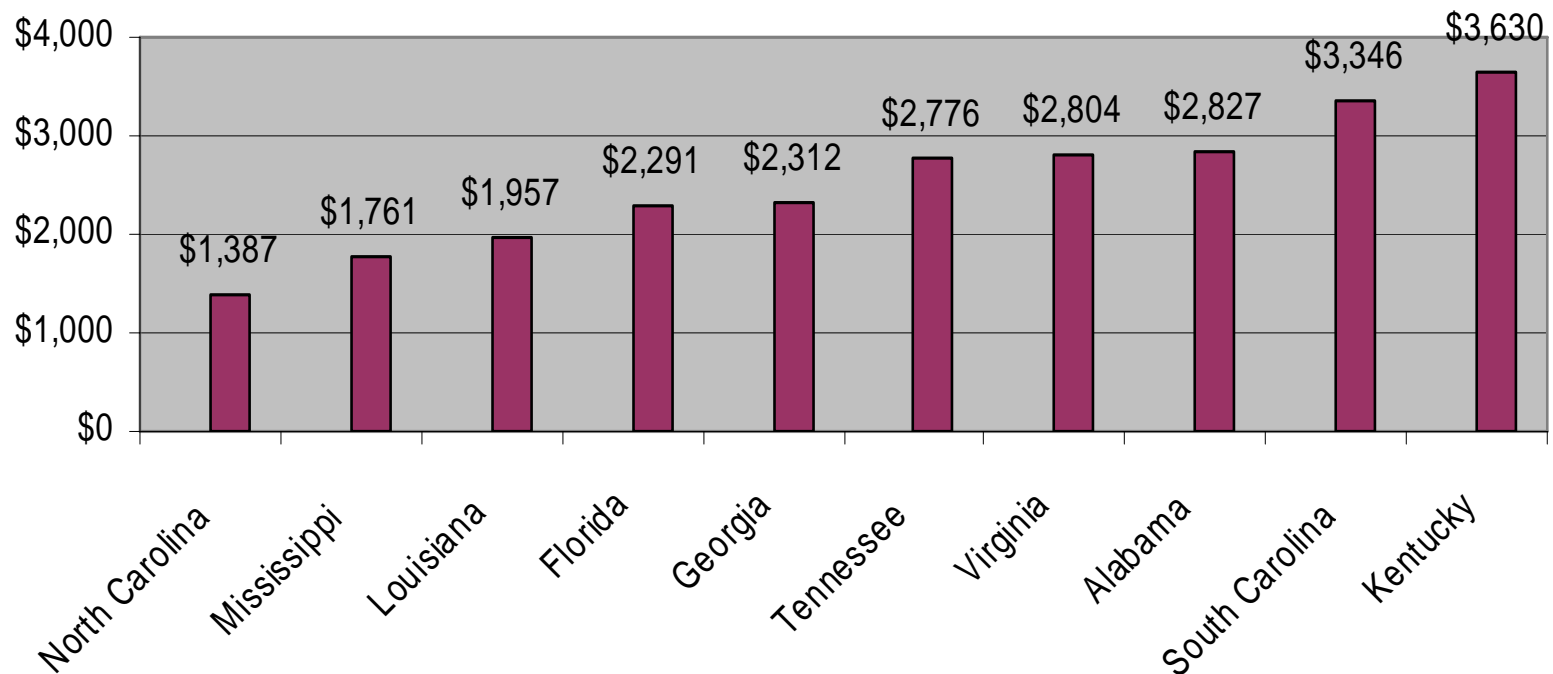
Source: The College Board, *Trends in College Pricing 2008*

Published Tuition and Fees: Two –Year Public Colleges, 2008-09



Source: The College Board, *Trends in College Pricing* 2008

Southern States: Published Tuition and Fees at Public Two-Year Colleges 2008-09

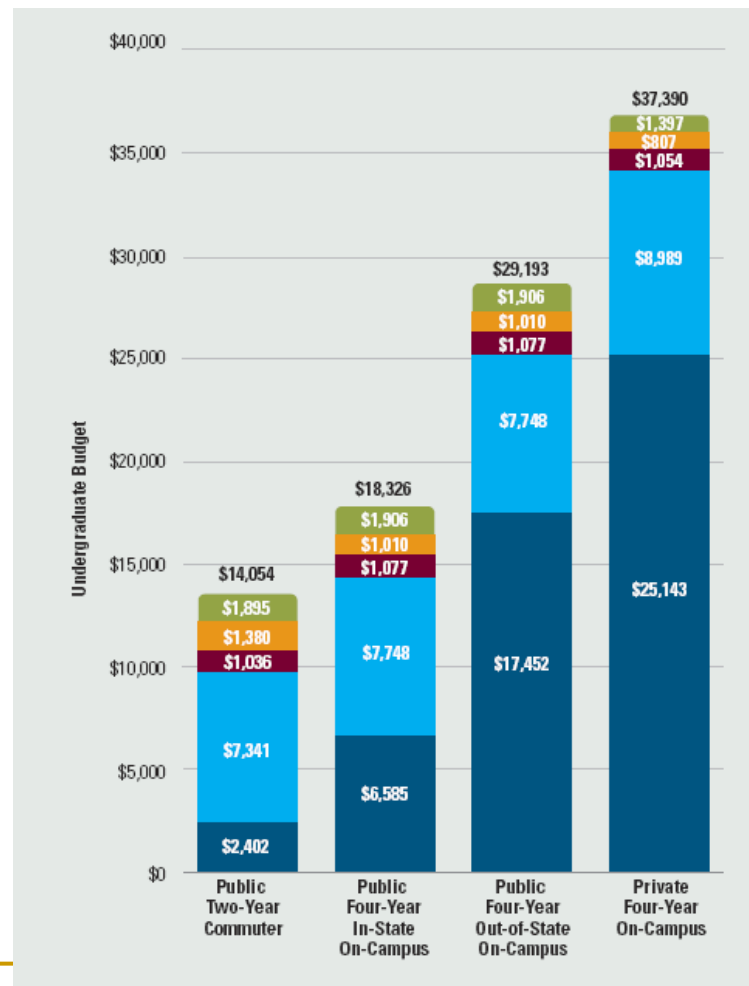


Source: The College Board, *Trends in College Pricing 2008*

Non-Tuition Expenses

- For many low-income students in Kentucky, grants cover all tuition and fees.
 - For many of these students, net cost of attendance exceeds their ability to pay.
 - Issue: funding living costs
-

Average Estimated Undergraduate Budgets, 2008-09 (Enrollment-Weighted)



Note: Expense categories are based on institutional budgets for students as reported by colleges and universities in the *Annual Survey of Colleges*. They do not necessarily reflect actual student expenditures.

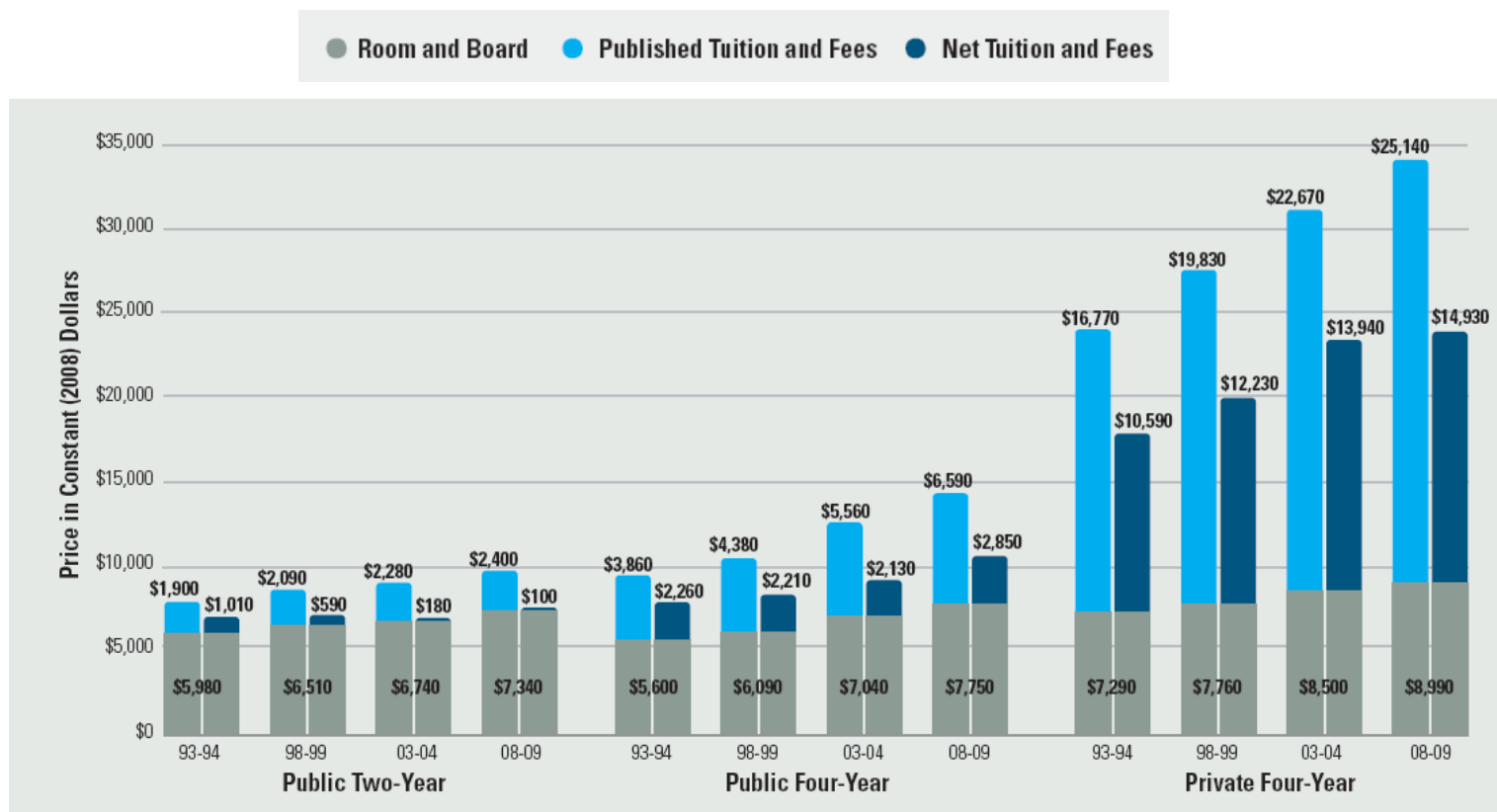
Source: The College Board, *Annual Survey of Colleges: Trends in College Pricing 2008*

Innovative Tuition Policies

- Problem of cyclical funding and counter-cyclical tuition increases
 - Problems with four-year guarantee
 - Benchmark of income growth
 - Relationship to need-based aid
 - Sticker price vs. net price
-

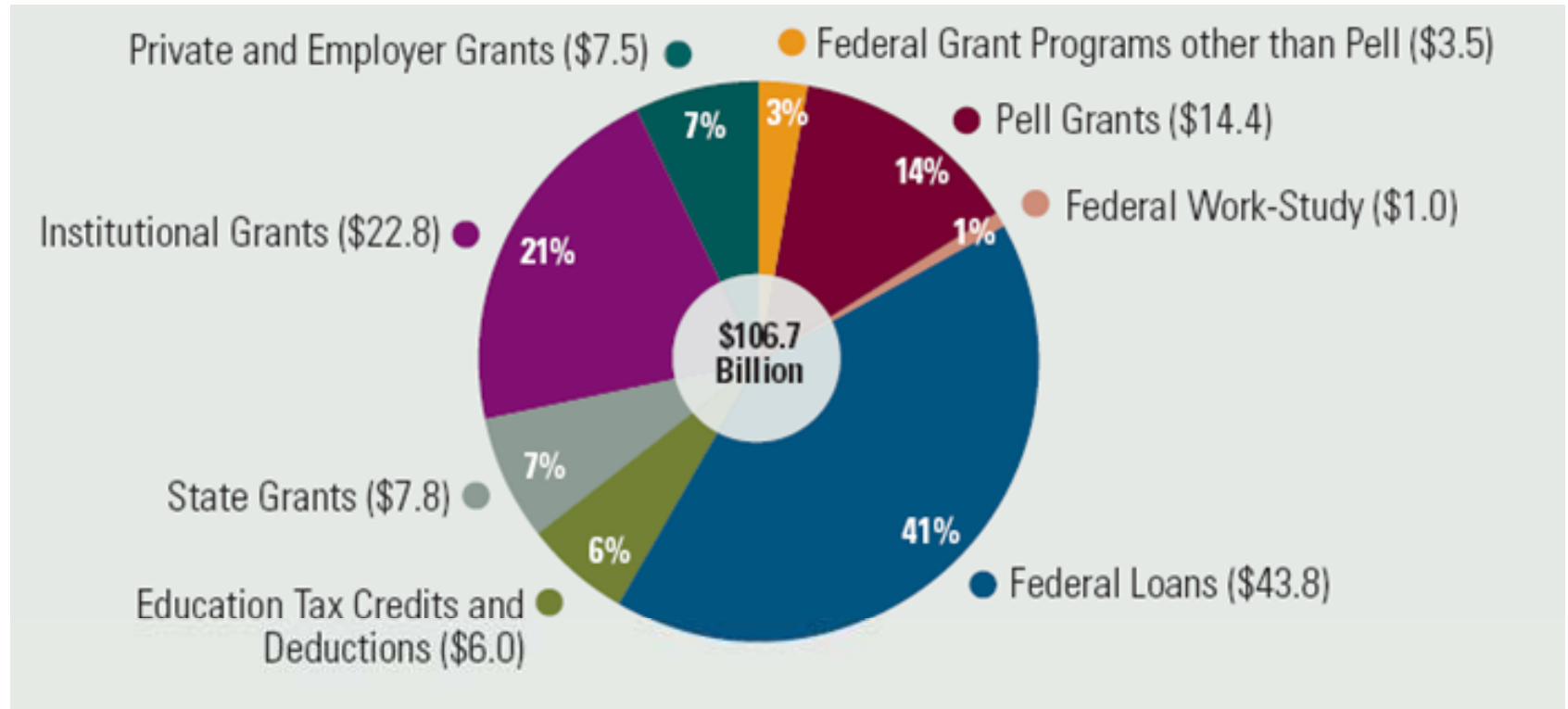
Affordability: Net Price

Published Tuition and Fees and Room and Board (TFRB) Compared to TFRB Net of Average Grant and Education Tax Benefits per Full-Time Undergraduate Student, in Constant (2008) Dollars, 1993-94, 1998-99, 2003-04 and 2008-09



Notes: Net tuition and fees are calculated by subtracting estimated average grant aid plus tax benefits per full-time student in the sector from the published price. Aggregate aid amounts are from *Trends in Student Aid 2008*. Division of total aid across sectors and between full-time and part-time students is based on the *NPSAS*, 1993 through 2004.

Undergraduate Student Aid by Source (in Billions), 2007-08



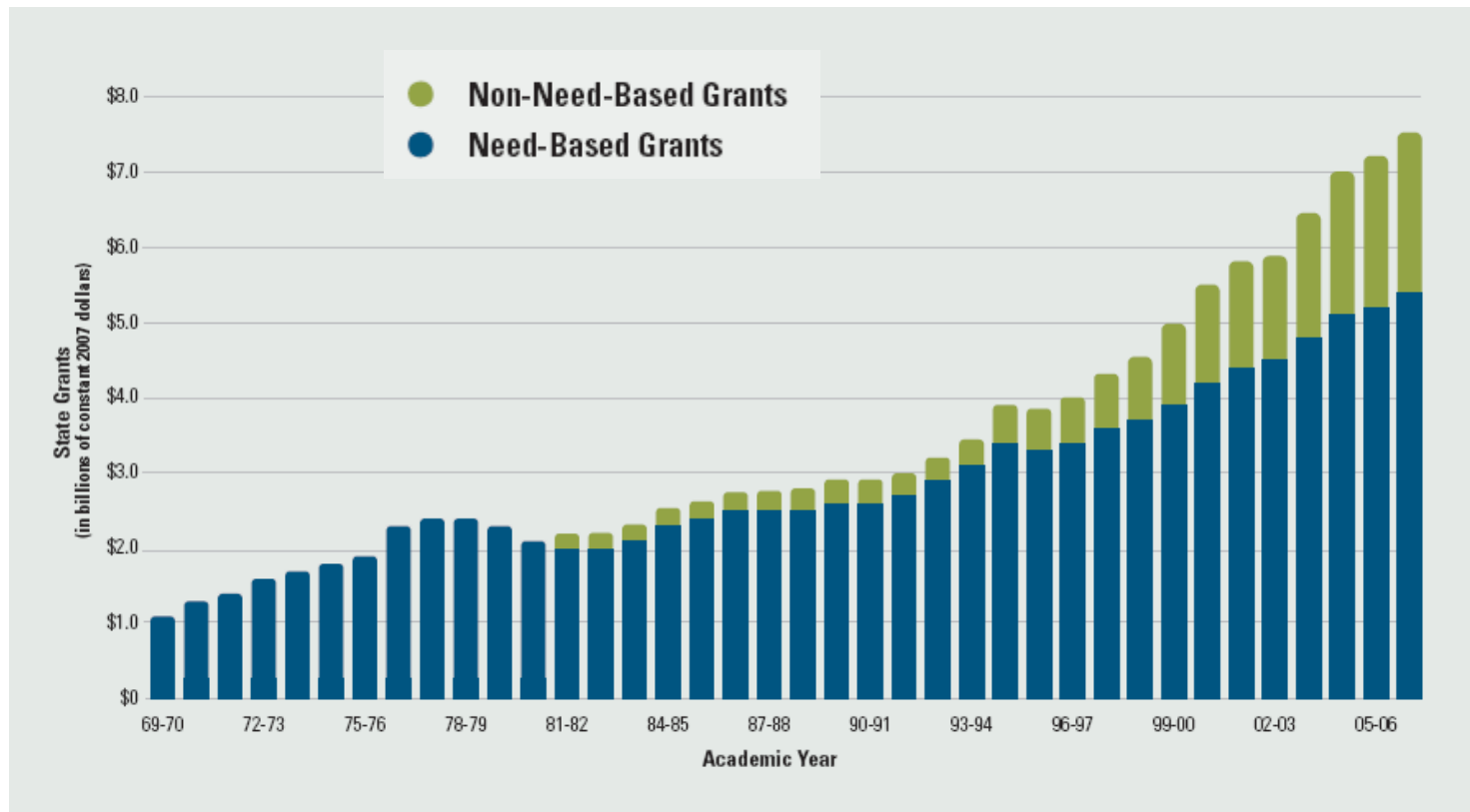
Notes: Components may not sum to 100% due to rounding.

Nonfederal loans are not included since they involve no subsidy of any kind and are not actually a form of financial aid.

Targeting State Grants

- Lower net price for low-income Kentucky students results from Pell Grants
 - State grants are distributed across income spectrum.
 - “Merit” grants awarded to low-income students accomplish goals of need-based aid.
-

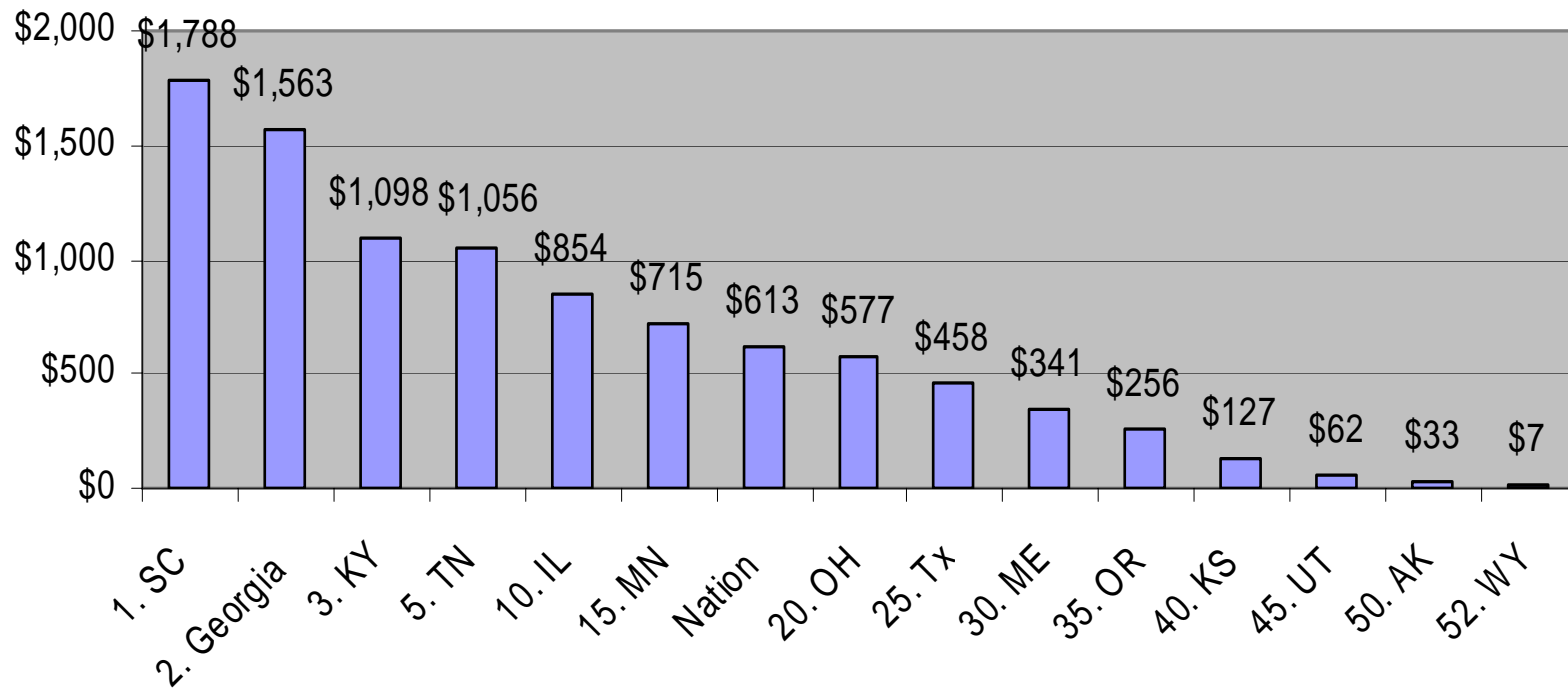
Total Need-Based and Non-Need-Based State Grants in Constant (2007) Dollars (in Billions), 1969-70 to 2006-07



Note: Students must meet some standard of financial need to be eligible for need-based grants. Non-need-based grants do not have this requirement. These data are based on undergraduate state grants, excluding Puerto Rico.

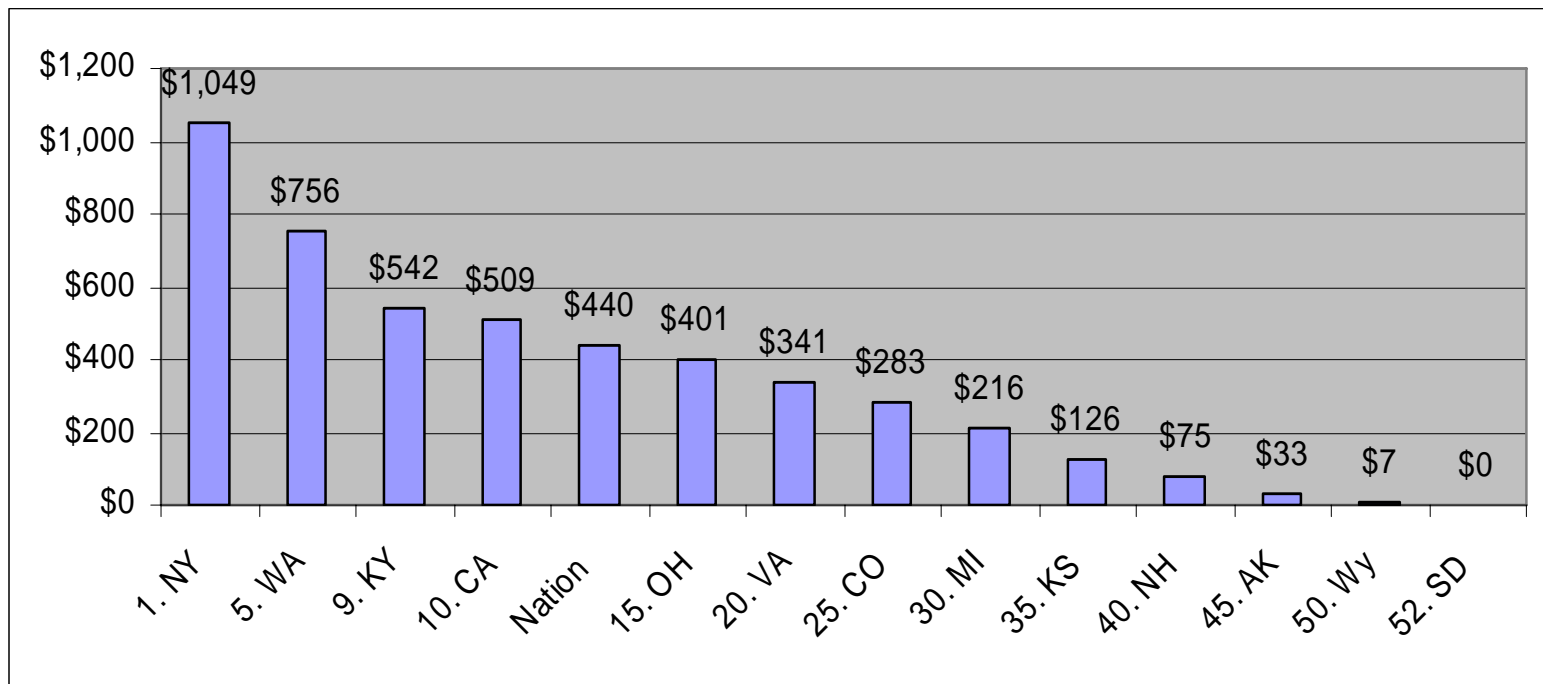
Source: National Association of State Student Grant and Aid Programs (NASSGAP) Survey. *The College Board, Trends in Student Aid 2007*

State Grant Aid per Full-Time Equivalent Student, 2006-07



Source: NASSGAP Annual Survey

Need-Based State Grant Aid per Full-Time Equivalent Student 2006-07



Source: NASSGAP Annual Survey

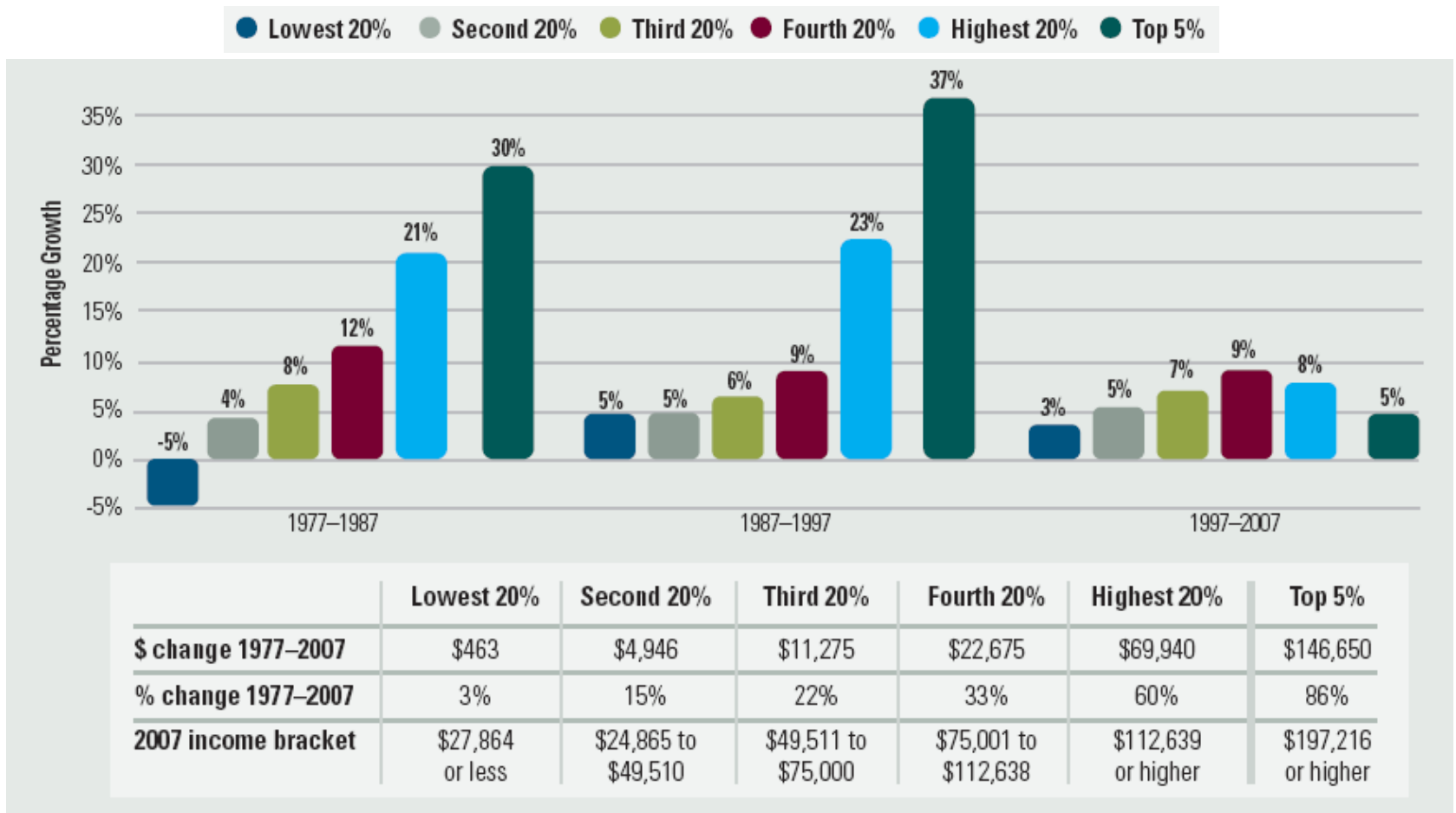
Need-Based Aid as a Percentage of Total State Grants, 2006-07

	Pct Need-Based
2 states	0%
5 states	1% - 25%
7 states	26% - 50%
7 states	51% - 75%
12 states	76%- 99%
17 states	100%
Kentucky	49%

Measuring Affordability

- Proportion of median income is not a meaningful standard.
- Representative students provide a better indication.
- How much work and loan can students reasonably manage?

Percentage Growth in Mean Family Income by Quintile (in Constant 2007 Dollars), 1977–1987, 1987–1997, and 1997–2007



Source: U.S. Census Bureau, *Current Population Survey*, Table F-1, Table F-3, and FINC-01; calculations by the authors, where available.

Comparing Regions

- Eastern Kentucky: Low incomes and high unmet need.
 - Northern Kentucky: Higher incomes and lower unmet need.
 - Higher grant aid to low-income students does not compensate for the lower EFCs.
-

Improving the System

Low-cost ways to Increase Affordability

- Simplify the aid system
 - Institutions and state have multiple complicated grant programs
 - More students apply for federal aid
 - Less bureaucracy is required
 - Lower-income and first generation students know in advance what will be available to them.
 - Encourage savings
-

Applying for Aid

- Many low-income students fail to complete the FAFSA.
 - Require completion as part of enrollment application
 - Advocate for simplification of federal aid application – e.g. eliminate FAFSA
 - States should not be barrier to federal simplification
-

Early Awareness and Preparation

- Programs that begin in middle school have the potential to increase academic preparation.
 - Families can plan if they expect their kids to go to college.
-

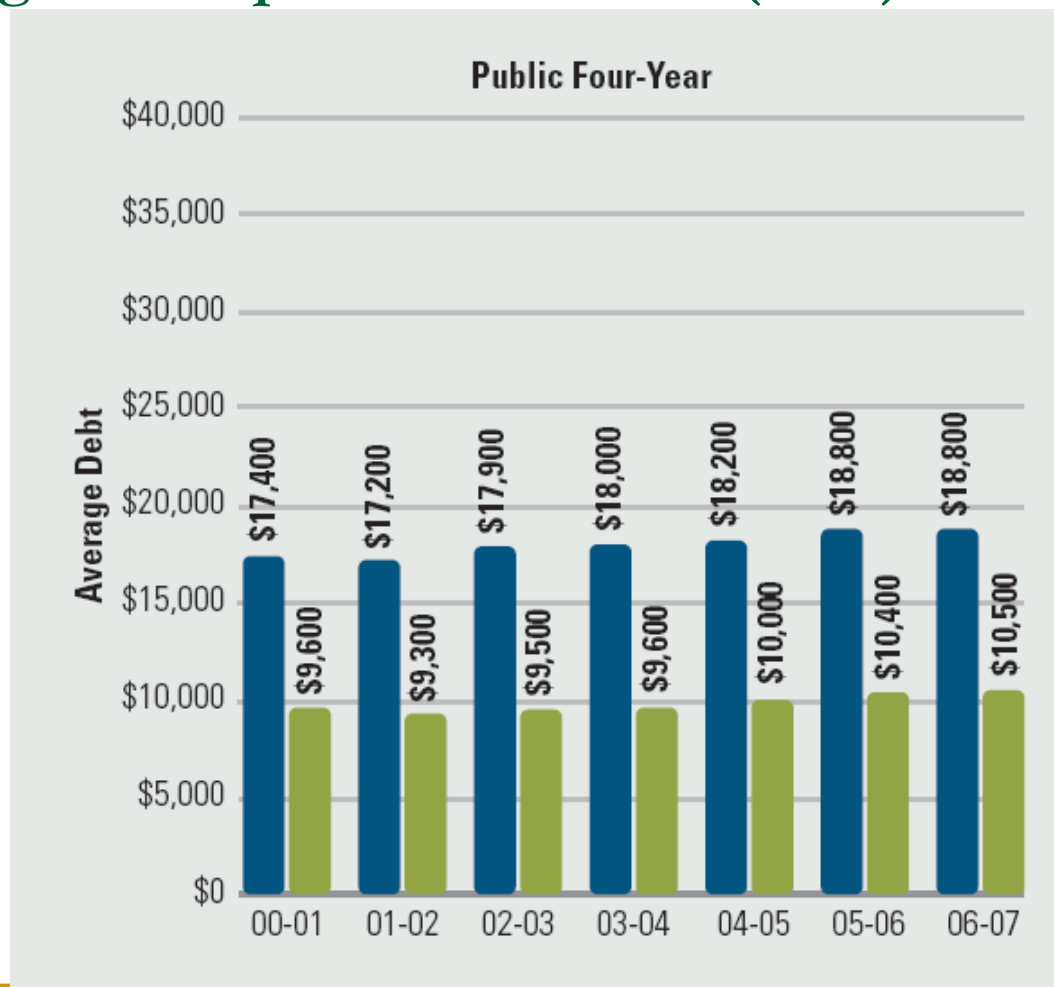
Independent Students

- Difficulty of measuring financial capacity
 - Focus on long-term income potential
 - Loan repayment protection
 - Standard earnings expectations to avoid work penalty
 - Living costs central for these older students
 - Problem with percentage of income as indicator for independent students
-

Implications for States

- Improved federal aid system will relieve pressure on states
 - State cooperation is required to federal simplification to succeed.
 - Same principles of simplicity, early awareness, targeting apply to effective state aid policies
-

Average Debt per Borrower and Average Debt per Bachelor's Degree Recipient in Constant (2007) Dollars, 2000-01 to 2006-07



● Per Borrower
● Per Bachelor's Degree Recipient

Note: Debt figures include both federal loans and loans from nonfederal sources that have been reported to the institutions, based on institutional reporting of aggregate debt figures.

Source: *The College Board, Trends in Student Aid 2007*

Rising Interests Rates: Lower Manageable Debt Levels

Income	Manageable monthly payment*	payment / total income	Debt supported At 5.3%	Debt Supported At 6.8%
\$18,772	\$0	0%	--	--
\$28,157	\$156	7%	\$14,500	\$13,600
\$37,543	\$313	10%	\$29,100	\$27,200
\$56,315	\$626	13%	\$58,200	\$54,400
\$75,086	\$939	15%	\$87,300	\$81,600
\$112,629	\$1,564	17%	\$145,400	\$135,900
\$150,173	\$2,190	18%	\$203,650	\$190,300

*Defined as 20% of income above \$18,772.

College as an Investment

- Increases in lifetime earnings
- Increases in occupational opportunities
- Social benefits – monetary and non-monetary
- See Education Pays 2007

(www.collegeboard.com/trends)
